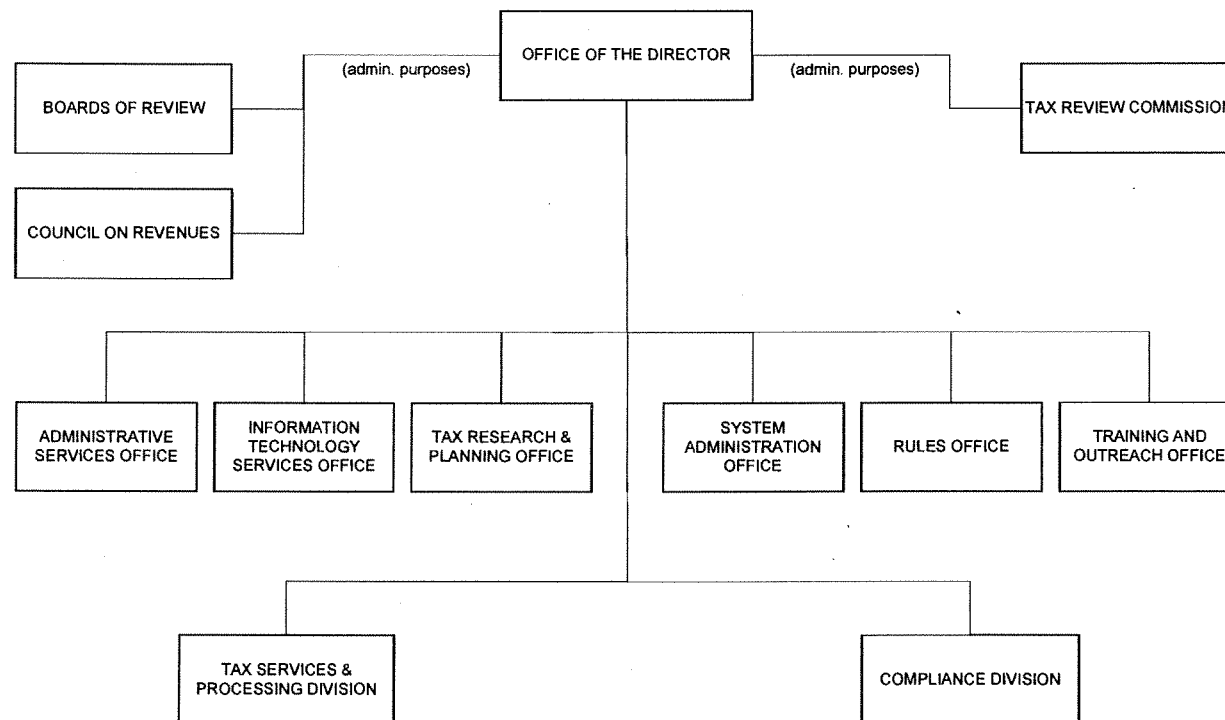


Department of Taxation

STATE OF HAWAII
DEPARTMENT OF TAXATION
ORGANIZATION CHART



DEPARTMENT OF TAXATION MAJOR FUNCTIONS

- Administers and enforces the tax laws of Hawaii and the collection of taxes and other payments.
- Coordinates a centralized system for receiving and processing of all tax returns, payments and documents.
- Provides one-stop customer service, assistance and information on all taxes administered by the department to customers who walk in, call-in, correspond or e-mail.
- Administers a comprehensive and uniform compliance program based on self-assessment and voluntary compliance.
- Conducts audits and investigations of all types of tax returns.
- Conducts and enforces collection of delinquent taxes by appropriate collection procedures.
- Plans, organizes and coordinates a tax research and tax planning program.
- Provides administrative and research support to the Council on Revenues which prepares revenue estimates for the State on a quarterly basis.

MAJOR PROGRAM AREAS

The Department of Taxation has programs in the following major program area:

Government-Wide Support

TAX 102	Income Assessment and Audit
TAX 103	Tax Collections Enforcement
TAX 105	Tax Services and Processing
TAX 107	Supporting Services – Revenue Collection

DEPARTMENT OF TAXATION

Department Summary

Mission Statement

To administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner by educating taxpayers on tax laws, by developing a professional staff and by using technology to increase efficiency and effectiveness.

Department Goals

To provide one-stop customer service; to increase collection capabilities through efficient allocation of resources; to simplify taxpayer filings, provide a more user-friendly interface with the public, speed up refunds and expedite delinquent referrals; to automate tax filings, billings and collections; to expand capacity for research and revenue analysis; to permit more flexibility in accommodating tax law changes and initiatives to improve tax administration.

Significant Measures of Effectiveness

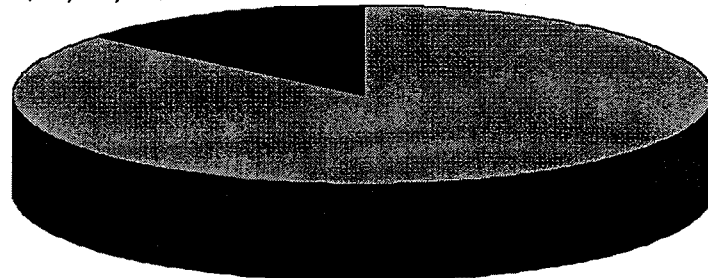
1. Average number of days to issue refund check
2. Percent of tax returns audited resulting in adjustments
3. Percent of delinquent taxes collected

FY 2006 FY 2007

15	15
80	80
40	40

FY 2007 Supplemental Operating Budget Adjustments by Major Program

Supporting Svcs -
Rev Coll,
\$65,000, 14%



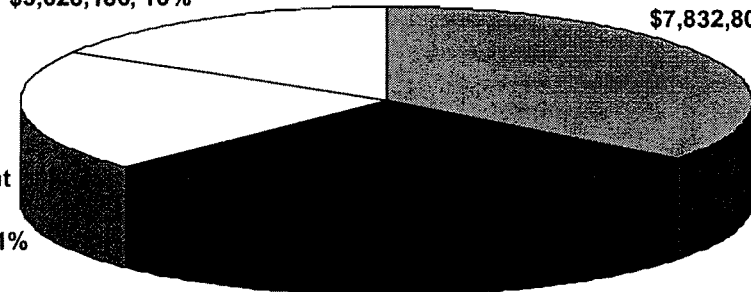
Total \$.5 M

Tax Svcs &
Processing,
\$414,186, 86%

FY 2007 Supplemental Operating Budget

Tax Collections
Enforcement,
\$3,628,186, 16%

Income
Assessment
& Audit,
\$4,757,096, 21%



Tax Svcs &
Processing,
\$6,069,950, 27%

Total \$22.3 M

**Department of Taxation
(Operating Budget)**

		Act 178/2005 FY 2006	Act 178/2005 FY 2007	FY 2007 Adjustments	Total FY 2007
Funding Sources:	Positions	366.50	372.50	0.00	372.50
General Funds	\$	21,674,013	21,356,853	479,186	21,836,039
Special Funds		452,000	452,000	0	452,000
		366.50	372.50	0.00	372.50
Total Requirements		22,126,013	21,808,853	479,186	22,288,039

Highlights of the Executive Supplemental Budget Request: (general funds unless noted)

1. Added \$414,186 for additional seasonal and other temporary hires to improve cash management and customer service.
2. Added \$65,000 and 3.0 temporary position counts for the Tax Review Commission.

Operating Budget Details

PROGRAM ID:

TAX-

PROGRAM STRUCTURE NO: 11

PROGRAM TITLE:

GOVERNMENT-WIDE SUPPORT

EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)REPORT S61-A
PAGE 377

PROGRAM COSTS	FY 2006			FY 2007			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	366.50*	*	366.50*	372.50*	*	372.50*	*	*	*
PERSONAL SERVICES	16,099,766		16,099,766	16,394,806	474,186	16,868,992	32,494,572	32,968,758	
OTH CURRENT EXPENSES	5,902,247		5,902,247	5,390,047	5,000	5,395,047	11,292,294	11,297,294	
EQUIPMENT	124,000		124,000	24,000		24,000	148,000	148,000	
TOTAL OPERATING COST	22,126,013		22,126,013	21,808,853	479,186	22,288,039	43,934,866	44,414,052	1.09
BY MEANS OF FINANCING									
GENERAL FUND	366.50*	*	366.50*	372.50*	*	372.50*	*	*	*
	21,674,013		21,674,013	21,356,853	479,186	21,836,039	43,030,866	43,510,052	
SPECIAL FUND	452,000	*	452,000	452,000	*	452,000	904,000	904,000	*
TOTAL POSITIONS	366.50*	*	366.50*	372.50*	*	372.50*			
TOTAL PROGRAM COST	22,126,013		22,126,013	21,808,853	479,186	22,288,039	43,934,866	44,414,052	1.09

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

PROGRAM ID: **TAX-105**
 PROGRAM STRUCTURE NO: **11020103**
 PROGRAM TITLE: **TAX SERVICES & PROCESSING**

REPORT S61-A
 PAGE 382

PROGRAM COSTS	FY 2006			FY 2007			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	110.00*	*	110.00*	110.00*	*	110.00*	*	*	*
PERSONAL SERVICES	3,906,723		3,906,723	3,906,723	414,186	4,320,909	7,813,446	8,227,632	
OTH CURRENT EXPENSES	1,749,041		1,749,041	1,749,041		1,749,041	3,498,082	3,498,082	
TOTAL OPERATING COST	5,655,764		5,655,764	5,655,764	414,186	6,069,950	11,311,528	11,725,714	3.66
BY MEANS OF FINANCING									
GENERAL FUND	110.00*	*	110.00*	110.00*	*	110.00*	*	*	*
	5,655,764		5,655,764	5,655,764	414,186	6,069,950	11,311,528	11,725,714	
TOTAL POSITIONS	110.00*	*	110.00*	110.00*	*	110.00*			
TOTAL PROGRAM COST	5,655,764		5,655,764	5,655,764	414,186	6,069,950	11,311,528	11,725,714	3.66

**NARRATIVE FOR SUPPLEMENTAL BUDGET REQUESTS
FY 2007**

PROGRAM ID: TAX 105
STRUCTURE LEVEL: 11 02 01 03
PROGRAM TITLE: TAX SERVICES AND PROCESSING

A. Program Objective

To process all tax documents received in the most efficient and expeditious manner possible; maintain accurate accounting records for all tax programs; and promote voluntary taxpayer compliance through timely delivery of information, forms, and responses to questions and inquiries.

B. Description of Request

1. Additional Funds for Temporary Hires

Request additional funds to increase temporary hires to improve document processing and customer service.

C. Reasons for Request

1. With the implementation of the Department's Integrated Tax Information Management System (ITIMS), automation and integration have resulted in significantly more delinquent referrals and letters issued, and increased revenue collection for the State. Unfortunately, the current level of staffing in the Tax Services and Processing Division cannot adequately support the volumes of returns, billing notices, and customer inquiries resulting from the ITIMS revenue generating initiatives.

D. Significant Changes to Measures of Effectiveness and Program Size

1. The request will give the program additional resources to improve the processing time of tax returns and payments, and the level of customer service to the taxpayers.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

PROGRAM ID: **TAX-107**
 PROGRAM STRUCTURE NO: **11020104**
 PROGRAM TITLE: **SUPPORTING SERVICES - REVENUE COLLECTION**

REPORT S61-A
 PAGE 383

PROGRAM COSTS	FY 2006			FY 2007			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	67.00*	*	67.00*	67.00*	*	67.00*	*	*	*
PERSONAL SERVICES	4,313,087		4,313,087	4,313,087	60,000	4,373,087	8,626,174	8,686,174	
OTH CURRENT EXPENSES	3,988,720		3,988,720	3,454,720	5,000	3,459,720	7,443,440	7,448,440	
TOTAL OPERATING COST	8,301,807		8,301,807	7,767,807	65,000	7,832,807	16,069,614	16,134,614	.40
BY MEANS OF FINANCING									
GENERAL FUND	67.00*	*	67.00*	67.00*	*	67.00*	*	*	*
	7,849,807		7,849,807	7,315,807	65,000	7,380,807	15,165,614	15,230,614	
SPECIAL FUND	452,000	*	452,000	452,000	*	452,000	904,000	904,000	
TOTAL POSITIONS	67.00*	*	67.00*	67.00*	*	67.00*			
TOTAL PROGRAM COST	8,301,807		8,301,807	7,767,807	65,000	7,832,807	16,069,614	16,134,614	.40

**NARRATIVE FOR SUPPLEMENTAL BUDGET REQUESTS
FY 2007**

PROGRAM ID: TAX 107
STRUCTURE LEVEL: 11 02 01 04
PROGRAM TITLE: SUPPORTING SERVICES - REVENUE COLLECTION

A. Statement of Program Objectives

To enhance the Department's effectiveness and efficiency in implementing tax programs for formulating policies, allocating resources and providing direction to operations; and to improve the State's policy and decision-making process by providing timely and accurate tax data and interpretive information.

B. Description of Request

1. Funding for the Tax Review Commission

The Tax Review Commission is directed by statute to conduct a systematic review of the State's tax structure, submit to the Legislature an evaluation of the State's tax structure using such standards as equity and efficiency, and recommend revenue and tax policies. The request for additional funds will allow for continued staff support and operating costs approved for the first year of the biennium.

C. Reasons for Request

1. Administrative and technical staff support are required in FY 2007 to review research studies; finalize in-house studies relating to tax expenditures, earned income tax credits, and corporate income tax; and, assist the Tax Review Commission in the preparation and presentation of the report to the 2007 Legislature.

D. Discussion on Significant Changes to Measures of Effectiveness and Program Size Indicators

The Tax Review Commission's report on the State's tax structure will provide a forum for the development of long term tax policy plans.

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